

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7166**

**BILL NUMBER:** HB 1857

**DATE PREPARED:** Feb 13, 2001

**BILL AMENDED:**

**SUBJECT:** Generic Drugs under CHIP.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires a pharmacist who fills a prescription that is covered under the Children's Health Insurance Program (CHIP) to fill the prescription with a generically equivalent drug product and inform the customer of the substitution if the substitution results in a lower price, unless the prescribing practitioner indicates that the prescription must be filled with a brand name drug.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** (Revised) This bill is expected to result in a reduction of state expenditures in the CHIP program by \$46,000 in FY 2002 and \$62,000 in FY 2003.

*Background:* The Office of Medicaid Policy and Planning (OMPP) reports that there were approximately 91,000 prescriptions dispensed as brand name for children enrolled in CHIP for FY 2000 and who would be affected by this provision. The average cost reduction per prescription for generic drugs over brand name products was about \$55. Based on a state share of expenditures of 27% in the CHIP program and assuming that the CHIP program realizes half this amount in reduced drug expenditures from the substitution of generic products, the reduction in expenditures in the CHIP program is estimated to be up to be \$46,000 in FY 2002 and \$62,000 in FY 2003. Total expenditure savings, state and federal dollars, would be about \$172,000 in FY 2002 and \$229,000 in FY 2003.

Prescription drugs accounted for about 14% of CHIP expenditures in FY 2000. Generic substitution is already required in the regular Medicaid program (IC 16-42-22-10). This bill would require that this provision apply to the CHIP program, as well.

In addition, unlike the Medicaid program, the federal allotment for the CHIP program is capped. Consequently, a reduction in expenditures for prescription drugs will allow those dollars to be utilized for other services within the CHIP program.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Susan Preble, Legislative Liaison for FSSA, (317) 232-1149.